

MEMORANDUM



DATE: October 6, 2017
TO: House Appropriations Subcommittee on Higher Education
FROM: Perry Zielak, Fiscal Analyst
RE: FY 2017-18 Public University Performance Funding

The FY 2017-18 Higher Education budget, Article III of 2017 PA 108, appropriates a total of \$28.0 million for performance funding increases for the state's 15 public universities. Performance funding is allocated according to a formula that distributes performance funding as follows:

- 50.0% proportional to each university's share of total operations funding in the baseline year of FY 2010-11.
- 11.1% based on weighted undergraduate completions in critical skills areas (generally, STEM fields).
- 5.6% based on research and development expenditures (applies only to research universities).
- 33.3% based on comparisons with Carnegie classification peers¹ or three-year improvement on four metrics weighted by full-time equivalent undergraduate students:²
 - Six-year graduation rate
 - Total degree completions
 - Institutional support as a percentage of core expenditures
 - Percentage of students receiving federal Pell grants.

Obtainment of performance funding is governed by sections 265 and 265a of the budget (MCL 388.1865 and 388.1865a) and conditioned on compliance with four requirements:

- Restraining FY 2017-18 resident undergraduate tuition and mandatory fee increases to 3.8% or \$475, whichever is greater, compared to FY 2016-17.
- Participation in reverse transfer agreements with at least three Michigan community colleges.
- A dual enrollment credit policy that does not consider whether the credits were utilized toward high school graduation requirements in determining acceptance for college credit.

¹ To assist with its research and policy analysis, the Carnegie Commission of Higher Education established a classification of colleges and universities that was first published in 1976 and has been revised periodically since then. The performance funding formula utilizes the 2015 Basic Classification, which divides postsecondary institutions into categories based generally on numbers, levels, and types of degrees granted and the amount of research activity. Indiana University's Center for Postsecondary Research is responsible for the Carnegie Classification.

² The measure is that of undergraduate fiscal year equated students (undergraduate FYES). One FYES is equal to 30 credit hours at the undergraduate level.

- Active participation in the Michigan Transfer Network (an online system that provides transparency regarding course transfer equivalencies among Michigan colleges and universities).

Universities are required to certify compliance with the performance funding conditions by August 31, and under the terms of the budget act, the state budget director has the sole authority to determine if a public university has complied with tuition restraint conditions.

All 15 public universities have submitted their certifications to the state budget director, and, in a letter dated September 13, the state budget director has confirmed compliance with performance funding conditions for all 15.

Attachment 1 shows university resident undergraduate tuition and fee rates for FY 2017-18 along with comparable figures for FY 2016-17. University tuition and fee rates are computed as unweighted averages; rates for full-time undergraduate enrollment in FY 2017-18 range from \$9,819 at Saginaw Valley to \$16,661 at Michigan Tech. The overall average rate is \$12,885, up from \$12,416 in FY 2016-17. Percentage increases range from 2.94% to 5.04%. The unweighted average increase for all 15 universities is 3.78%.

Attachment 2 shows performance funding allocated for each university. The overall increase from FY 2016-17 is 2.0% (\$28.0 million). Funding increases for individual universities range from 1.5% to 2.7%.

Please contact me if you have any questions or would like additional information.

ATTACHMENT 1
FY 2017-18 Resident Undergraduate Tuition/Fee Rate Increases

University	FY 2016-17 Rates					FY 2017-18 Rates					% Change Avg Rate	Annual Increase
	Fresh	Soph	Junior	Senior	Average	Fresh	Soph	Junior	Senior	Average		
Central	\$12,150	\$12,150	\$12,150	\$12,150	\$12,150	\$12,510	\$12,510	\$12,510	\$12,510	\$12,510	2.96	\$360
Eastern	12,062	11,209	12,604	12,604	12,120	12,219	12,019	13,069	13,069	12,594	3.91	474
Ferris	11,760	11,760	12,090	12,090	11,925	12,180	12,180	12,570	12,570	12,375	3.77	450
Grand Valley	11,520	11,520	12,144	12,144	11,832	11,994	11,994	12,618	12,618	12,306	4.01	474
Lake Superior	11,214	10,954	10,954	10,954	11,019	11,622	11,362	11,362	11,362	11,427	3.70	408
Michigan State	14,063	14,063	15,698	15,698	14,880	14,460	14,460	16,290	16,290	15,375	3.33	495
Michigan Tech	14,634	14,634	17,467	17,467	16,051	15,074	15,074	18,247	18,247	16,661	3.80	610
Northern	10,012	9,766	10,282	10,282	10,086	10,490	10,240	10,756	10,756	10,561	4.71	475
Oakland	11,970	11,970	13,875	13,875	12,923	12,420	12,420	14,393	14,393	13,406	3.74	484
Saginaw Valley	9,345	9,345	9,345	9,345	9,345	9,819	9,819	9,819	9,819	9,819	5.07	474
UM-Ann Arbor	14,402	14,402	16,218	16,218	15,310	14,826	14,826	16,696	16,696	15,761	2.94	451
UM-Dearborn	12,032	12,032	12,332	12,332	12,182	12,472	12,472	12,802	12,802	12,637	3.74	455
UM-Flint	10,884	10,884	11,028	11,028	10,956	11,334	11,334	11,478	11,478	11,406	4.11	450
Wayne State	12,519	12,269	14,287	14,287	13,340	12,979	12,729	14,823	14,823	13,839	3.74	498
Western	11,793	11,493	12,599	12,599	12,121	12,243	11,943	13,097	13,097	12,595	3.91	474
Unweighted Avg.	\$12,024	\$11,897	\$12,872	\$12,872	\$12,416	\$12,443	\$12,359	\$13,369	\$13,369	\$12,885	3.78	\$469

General Notes:

- 1) Per HEIDI reporting requirements, and consistent with Sec. 265 of budget act, rates are reported based on four class levels. Rates are based on 30 credit hours (15 in Fall, 15 in Winter/Spring) and exclude fees not paid by a majority of students in a given class (most course fees), as well as refundable fees.
- 2) FY 2017-18 resident tuition rate increase is restrained to either 3.8% or \$475.

FY 2017-18 University-Specific Notes

Michigan Tech: Assumes engineering/computer science majors (majority of MTU enrollment)

UM-Ann Arbor: Rates are for College of Literature, Science, and Arts

UM-Dearborn: Rates are for College of Arts, Sciences, and Letters

Sources: University websites, University tuition restraint responses

ATTACHMENT 2

FY 2017-18 University Performance Funding Increases

	% of formula: Funding per unit:	Proportional to FY 2010-11		Performance Funding Proportional to Share of Total				Performance Funding Scored vs. National Carnegie Peers										*Total Performance Funding Increase	Enacted FY 2017-18 Appropriation	Percent Change
		50.0%	\$0.0099 per dollar	11.1%	\$184.29 per completion	5.6%	\$0.0012 per dollar	33.3% \$6.34 per weighted point												
	FY 2016-17 Year-to-Date Appropriation	FY 2010-11 Appropriation	Funding	Critical Skills Undergrad Completions	Funding	Research & Development Expenditures	Funding	6-year Grad Rate	Total Degrees	Instl. Students Support Receiving as % of Pell	Total Points	Total Undergrad FYES	FYES- Weighted Points	Funding						
Michigan State	\$275,862,100	\$283,685,200	\$2,796,217	2,967	\$546,758	\$328,397,061	\$402,143	2	3	2	0	7	36,765	257,355	\$1,631,916	\$5,377,000	\$281,239,100	1.9%		
UM-Ann Arbor	308,639,000	\$316,254,500	3,117,245	3,033	558,932	\$701,964,000	859,599	3	3	2	0	8	27,880	223,041	1,414,327	\$5,950,100	314,589,100	1.9%		
Wayne State	196,064,500	\$214,171,400	2,111,036	958	176,544	\$146,978,189	179,984	2	2	0	3	7	14,366	100,565	637,692	3,105,300	199,169,800	1.6%		
Central	83,925,500	\$80,132,000	789,842	858	158,115	\$11,746,601	14,384	2	3	0	2	7	17,270	120,890	766,577	1,728,900	85,654,400	2.1%		
Michigan Tech	48,097,500	\$47,924,200	472,377	922	169,898	\$52,321,902	64,071	3	2	2	0	7	5,595	39,168	248,370	954,700	49,052,200	2.0%		
Western	107,440,900	\$109,615,100	1,080,450	1,102	202,988	\$16,982,080	20,796	0	2	2	2	6	16,603	99,616	631,677	1,935,900	109,376,800	1.8%		
Eastern	73,593,800	\$76,026,200	749,372	901	166,040	\$3,160,633	3,870	0	3	2	2	7	14,798	103,585	656,842	1,576,100	75,169,900	2.1%		
Oakland	49,920,700	\$50,761,300	500,342	1,214	223,628	\$8,744,299	10,708	2	2	2	0	6	15,258	91,548	580,516	1,315,200	51,235,900	2.6%		
Grand Valley	68,227,900	\$61,976,400	610,887	1,350	248,864			3	3	2	0	8	19,957	159,657	1,012,401	1,872,200	70,100,100	2.7%		
Saginaw Valley	29,114,000	\$27,720,700	273,236	465	85,692			2	2	2	0	6	7,706	46,233	293,171	652,100	29,766,100	2.2%		
UM-Dearborn	24,803,300	\$24,726,200	243,720	438	80,624			2	2	2	2	8	5,801	46,411	294,295	618,600	25,421,900	2.5%		
UM-Flint	22,549,300	\$20,898,000	205,987	581	107,069			0	2	2	2	6	5,241	31,446	199,405	512,500	23,061,800	2.3%		
Ferris	52,259,900	\$48,619,200	479,228	1,357	250,027			2	3	2	2	9	10,624	95,616	606,312	1,335,600	53,595,500	2.6%		
Northern	46,279,200	\$45,140,300	444,937	562	103,510			2	3	2	0	7	6,978	48,846	309,738	858,200	47,137,400	1.9%		
Lake Superior	13,567,400	\$12,694,200	125,124	176	32,422			2	2	0	0	4	1,975	7,900	50,095	207,600	13,775,000	1.5%		
TOTAL:	\$1,400,345,000	\$1,420,344,900	\$14,000,000	16,882	\$3,111,111	\$1,270,294,765	\$1,555,556	27	37	24	15	103	206,818	1,471,877	\$9,333,333	\$28,000,000	\$1,428,345,000	2.0%		

Data Notes	Component	Source	Years	Notes
Critical skills undergrad completions	State HEIDI	FYs 2015-2016	STEM/health/etc.	
Research & develop expend	Federal IPEDS	FY 2015	Carnegie research universities only	
Six-year graduation rate	Federal IPEDS^	FYs 2011-2014	First-time, full-time degree seeking students	
Total degree completions	Federal IPEDS^	FYs 2011-2014	Includes graduate degrees	
Inst support as % of core expend	Federal IPEDS^	FYs 2011-2014	Measure of administrative costs	
Pell grant students	Federal IPEDS^	FYs 2012-2014	Federal need-based aid for undergrads	
Undergrad FYES	State HEIDI	FY 2016	Includes nonresident students	

^ via Business Leaders for Michigan and Anderson Economic Group

Scoring Based on Carnegie Peers	
Top 20% nationally	3
Above national median	2
Improving over 3 years	2

- *Requirements to receive funding increase:**
1. Restrain FY 2017-18 resident undergraduate tuition/fee rate increase to 3.8% or \$475 (whichever is greater)
 2. Participate in at least three reverse transfer agreements with community colleges
 3. Maintain a dual enrollment credit policy that does not consider whether credits were used toward high school graduation
 4. Actively participate in and submit timely updates to the Michigan Transfer Network